

Message Text

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ACTION EUR-12

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E.O.11652: N/A
TAGS: EFIN, EGEN, SP
SUBJECT: FINANCE MINISTER ON SPANISH ECONOMIC POLICY

1. SUMMARY: FINANCE MINISTER CARRILLES, IN A SPEECH IN THE CORTES, OUTLINED A FUTURE ECONOMIC STRATEGY WHICH IS SUBSTANTIALLY THE SAME AS THE EXISTING (INSUFFICIENT) POLICY FOR DEALING WITH THE PROBLEMS OF THE SPANISH ECONOMY. NOT UNEXPECTEDLY, CARRILLES RULED OUT QUOTE DRASTIC STABILIZATION END QUOTE OF THE SPANISH ECONOMY, WHILE ALSO RULING OUT A MAJOR REACTIVATION PROGRAM. PRESIDENT SUAREZ REPORTEDLY WILL ADDRESS THE NATION ON DECEMBER 31 ON ECONOMIC MATTERS. END SUMMARY.

2. IN A SPEECH TO THIS YEAR'S LAST SESSION OF THE CORTES DECEMBER 29 ON THE OCCASION OF APPROVAL OF THE 1977 BUDGET, CARRILLES REAFFIRMED THE FOLLOWING ELEMENTS OF HIS ECONOMIC STRATEGY: FINANCE INCREASED INVESTMENT BY THE PRIVATE AND PUBLIC SECTORS "SUCCESSIVE" FISCAL REFORM FISCAL FINANCIAL AND ADMINISTRATIVE SUPPORT FOR EXPORTS AND STRICT CONTROL OF PUBLIC SECTOR EFFICIENCY. THE GOVERNMENT, HE ALSO SAID
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WILL TRY TO QUOTE A DIMINISH ON THE MEDIUM TERM THE INCREASE OF PRICES END QUOTE, WHILE CONTAINING UNEMPLOYMENT.

3. FOR THE FIRST TIME CARRILLES ADMITTED THAT SPAIN WILL HAVE A 1976 CURRENT ACCOUNT DEFICIT "ON THE ORDER OF FOUR BILLION DOLLARS." CARRILLES SEEMED TO REUL

A PESETAS DEVALUATION. HE SAID
A DEVALUATION WOULD NOT SOLVE THE PROBLEM OF OUR EXTERNAL SECTOR.

4. IN A NEW DEPARTURE CARRILLES INDICATED THAT TO
HELP FINANCE THE DESIRED INVESTMENT THE FINANCE MINISTRY
WILL STIMULATE PRIVATE SAVINGS, APPARENTLY BY RAISING THE CURRENTLY
LOW INTEREST CEILING ON SAVINGS ACCOUNTS.

5. THE SPAISH RADIO REPORTED TH PRESIDENT SUAREZ
WILL ADDRESS THE NATION DECEMBER 31 ON THE SUBJECT OF THE
ECONOMY. IT IS NOT KNOW WHETHER HE WILL ANNOUNCE ANY
NEW ECONOMIC MEASURES. CARRILLES DID NOT MENTION THE SUAREZ SPEECH
AND SAID ONLY THAT OTHER MINISTRIES WOULD BE MAKING ANNOUNCEMENTS ON
NEW
PROGRAMS WITHIN THEIR COMPETENCE.

6. COMMENT: THE CARRILES REMARKS COULD NOT BE ENCOURAGING
TO THOS WHO ARE INCREASINGLY AWARE OF THE
MAGNITUDE OF SPAIN'S PROBLEMS: FALLING INVESTMENT
INDUSTRIAL PRODUCTION, NEARLY 20 PERCENT INFLATION
RATE, HIGH UNEMPLOYMENT, AND GROWING CURRENT DEFICIT AND
EXTRNAL DEBT. ALTHOUGH COUCHED IN TERMS OF THE FUTURE,
THE CONTENT OF THE SPEECH SEEMS EQUALLY A JUSTIFICATION BY
CARRILES FOR ECONOMIC ACTIONS WHICH HE HAS TAKEN AND
NOT TAKEN IN THE LAST FEW MONTHS. CARRILES HAS BEEN EXTENSIVELY
CRITICIZED IN THE PRESS AND BY ECONOMISTS FOR HIS
STEWARDSHIP OF THE SPANISH ECONOMY. STABLER

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